

ADULT USE CANNABIS SUMMARY

The following summarizes the major elements HB 1438 – The Cannabis Regulation and Tax Act.

PERSONAL USE OF CANNABIS

Starting January 1, 2020, adults over 21 will be able to legally purchase cannabis for recreational use from licensed dispensaries across the state.

- Possession limit for Illinois residents:
 - 30 grams of cannabis flower;
 - 5 grams of cannabis concentrate; and
 - No more than 500 milligrams of THC contained in a cannabis-infused product; and
 - Registered patients in the medical cannabis pilot program may possess more than 30 grams of cannabis if it is grown and secured in their residence under certain conditions.
- Possession limit for non-Illinois residents:
 - 15 grams of cannabis flower;
 - 2.5 grams of cannabis; and
 - No more than 250 milligrams of THC contained in a cannabis-infused product.
- The possession limits are to be considered cumulative.

COMPASSIONATE USE OF MEDICAL CANNABIS PILOT PROGRAM

- The legalization of adult use cannabis does not alter the state’s medical cannabis pilot program.
- Cultivators and dispensaries will be required to reserve sufficient supply to ensure patient access to product is not interrupted.

PROMOTING EQUITY

- Creation of a \$30 million low-interest loan program
 - DCEO will administer a low-interest loan program to qualified “social equity applicants” to help defray the start-up costs associated with entering the licensed cannabis industry.
- Establishment of a “social equity applicant” status for licensing
 - A social equity applicant is an Illinois resident that meets one of the following criteria:
 - Applicant with at least 51 percent ownership and control by one or more individuals who have resided for at least 5 of the preceding 10 years in a disproportionately impacted area.

- Applicant with at least 51 percent ownership and control by one or more individuals who have been arrested for, convicted of, or adjudged to be a ward of the juvenile court for any offense that is eligible for expungement under this Act or member of an impacted family;
 - For applicants with a minimum of 10 full-time employees, an applicant with at least 51% of current employees who:
 - Currently reside in a disproportionately impacted area; or
 - Have been arrested for, convicted of, or adjudged to be a ward of the juvenile court for any offense that is eligible for expungement under this Act or member of an impacted family.
- Application for new entrants to the market
 - The Act contains the scoring criteria that the Illinois Department of Financial and Professional Regulation will utilize to score applications for new dispensing organizations.
 - 50 out of 250 points, or 20 percent of the total points available, are designated for applicants that qualify as “social equity applicants.”
 - The remainder of the points are designated for the following:
 - 65 points – security and record keeping
 - 65 points – business plan, financials, operating and floor plan
 - 30 points – knowledge and experience
 - 15 points – suitability of employee training plan
 - 5 points – labor and employment practices
 - 5 points – environmental plan
 - 5 points – Illinois owner (51 percent or more of ownership)
 - 5 points – status as a veteran (51 percent or more of ownership)
 - 5 points – diversity plan
 - IDFPD may award up to 2 bonus points for a plan to engage with the community the applicant will be located in.
 - The Department of Agriculture will develop a similar application scoring system through the rulemaking process for cultivation centers, infusers, craft growers and transporting organizations.
 - The application for each license type will designate 20 percent of the total points for applicants that qualify as “social equity applicants.”
- Fee waivers
 - The Department of Financial and Professional Regulation and the Department of Agriculture will waive 50 percent of any non-refundable license application fees and any non-refundable fees associated with purchasing a license to operate a cannabis business establishment if social equity applicants meet certain conditions.

- Reducing up-front costs
 - Applicants who receive a conditional dispensing organization license will have 180 days from the date of the award to identify a physical location for the dispensing organization retail storefront when new entrants are allowed in the market. This will reduce the costs associated with entering the industry.
- Limitations on ownership
 - No person or entity shall hold any legal, equitable, or beneficial interest, directly or indirectly, of more than 3 cultivation centers.
 - No person or entity shall hold any legal, equitable, or beneficial interest, directly or indirectly, of more than 10 dispensing organizations.
 - No craft grower license shall be issued to a person who is licensed by any licensing authority as a cultivation center.
 - No person or entity shall hold any legal, equitable, ownership, or beneficial interest, directly or indirectly, of more than three craft grower licenses under this article.
- Identification of “disproportionately impacted areas”
 - DCEO will designate “disproportionately impacted areas” for social equity applicants
 - “Disproportionately impacted area” is defined as a geographic area that is economically disadvantaged and has been impacted by high rates of arrest, conviction, and incarceration for violations of the Cannabis Control Act.

ACHIEVING EQUITY THROUGH OWNERSHIP AND LICENSURE

The following process is designed to ensure the most equitable marketplace in the country.

- Early approval adult use license for current medical cannabis license holders
 - Timeline for licensing
 - Cultivation organizations:
 - Medical cannabis cultivators may apply for a license within 60 days of the effective date of the Act.
 - Licenses will be distributed to eligible applicants within 14 days if certain conditions are met.
 - Dispensing organizations:
 - Medical cannabis dispensaries may apply for a license within 60 days of the effective date of the Act.
 - Licenses will be distributed to eligible applicants within 14 days if certain conditions are met.
 - These entities may apply for a second license at a new location under the same parameters.

- Licensing costs for early approval adult use licenses
 - Cultivation organizations:
 - Non-refundable application fee: \$100,000
 - Cannabis business development fund fee: 5% of total sales between June 1, 2018 to June 1, 2019 or \$750,000, whichever is less, but not less than \$250,000.
 - Dispensing organizations:
 - License 1
 - Non-refundable application fee: \$30,000
 - Cannabis business development fund fee: 3% of total sales between June 1, 2018 to June 1, 2019 or \$100,000, whichever is less.
 - License 2
 - Non-refundable application fee: \$30,000
 - Cannabis business development fund fee: \$200,000
- New entrants to the adult use cannabis market
 - License types
 - Cultivation centers
 - Craft growers
 - Infusers
 - Transporting organizations
 - Dispensing organizations
 - Timeline
 - WAVE 1
 - Department of Financial and Professional Regulation
 - May 1, 2020: The agency awards licenses for up to 75 new dispensing organizations
 - Department of Agriculture
 - July 1, 2020: The agency awards up to 40 licenses for infusers, up to 40 licenses for craft growers, and licenses for transporting organizations.
 - WAVE 2
 - Department of Financial and Professional Regulation
 - December 21, 2021: The agency awards up to 110 licenses for new dispensing organizations
 - Department of Agriculture

- December 21, 2021: The agency awards up to 60 additional licenses for craft growers, up to 60 licenses for infusers, and licenses for transporting organizations.
- Licensing costs for new entrants to the market
 - Craft growers
 - Non-refundable application fee \$5,000
 - License fee \$40,000
 - Infusers
 - Non-refundable application fee \$5,000
 - License fee \$5,000
 - Transporting organizations
 - Non-refundable application fee \$5,000
 - License fee \$10,000
 - Dispensing organizations
 - Non-refundable application fee \$5,000
 - License fee \$60,000

INVESTING IN COMMUNITIES THAT SUFFERED THROUGH THE WAR ON DRUGS

- The proposal would establish a new grant program, the Restore, Reinvest, and Renew (R3) program, to address the impact of economic disinvestment, violence, and the historical overuse of the criminal justice system.
- R3 program overview
 - The Illinois Criminal Justice Information Authority (ICJIA), in coordination with the Justice, Equity, and Opportunity Initiative of the Lieutenant Governor's Office, will identify designate "R3 Areas."
 - The R3 Program Board will consist of over 22 members and be chaired by the Lieutenant Governor, or her designee.
 - The R3 Program Board will solicit applications from eligible R3 Areas, review applications and approve the distribution of resources, and monitor and evaluate R3 programs.
 - Grant funds will be awarded by ICJIA, in coordination with the R3 Program Board.
 - Grants shall be used to address economic development, violence prevention services, re-entry services, youth development, and civil legal aid.
 - The ROC Board will deliver an annual report to the Governor's Office about its progress.

PROVIDING RELIEF FOR MINOR VIOLATIONS OF THE CANNABIS CONTROL ACT

- Category 1: Local law enforcement and ISP will automatically expunge arrests not leading to a conviction for possession and manufacture or possession with intent to deliver for up to 30 grams.

- Eligible records = arrests for section 4 and section 5 of the Cannabis Control Act for amounts less than 30 grams. Must not be associated with a violent crime or a penalty enhancement for selling to a person under the age of 18 if the individual was over 18.
- Local law enforcement will identify all eligible records and automatically expunge records that did not result in a conviction by the following deadlines:
 - Arrest records between January 1, 2013 and effective date must be expunged by January 1, 2021
 - Arrest records between January 1, 2000, and January 1, 2013, must be expunged by January 1, 2023
 - Arrest records prior to January 1, 2000, must be expunged prior to January 1, 2025.
- Records will be expunged if one year or more has elapsed since the date of the arrest with no criminal charges filed or charges were subsequently dismissed, vacated, or the individual was acquitted.
- Category 2: Governor will grant pardons authorizing expungement for convictions for possession and manufacture or possession with intent to deliver for up to 30 grams.
 - Eligible records = convictions for Section 4 and Section 5 of the Cannabis Control Act for amounts less than 30 grams. Must not be associated with a violent crime or a penalty enhancement for selling to a person under the age of 18 if the individual was over 18.
 - ISP will identify all eligible convictions based on criminal history records and provide data to Prisoner Review Board (PRB) within 180 days of effective date.
 - PRB will review records for eligibility to ensure that they are the proper convictions and that conviction is not associated with excluded violent crime. PRB will provide notice to State's Attorney of any felony conviction eligible for clemency and provide State's Attorney 60 days to file a written objection on the basis that record is ineligible.
 - Governor will issue pardons authorizing expungement.
 - Attorney General, on behalf of Prisoner Review Board, will file a petition with circuit court to expunge records of convictions that were granted clemency. Courts have 90 days to enter an order that directs ISP, local arresting authority, and court to expunge relevant records.
- Category 3: Individuals and State's Attorneys may file motions with courts to vacate convictions for possession up to 500 grams.
 - Eligible records = convictions for possession and manufacture/delivery/possession with intent to deliver under Section 4 and Section 5 of the Cannabis Control Act, including possession up to 500 grams. No limitations on associated with violent crime.
 - Individual or State's Attorneys may file motions with the circuit court where the conviction was entered asking the court to vacate the conviction and expunge court, law enforcement and ISP records.

- State's Attorneys may file an objection.
 - Court will consider reasons to retain the records (if provided by law enforcement), the petitioner's current age and age at the time of conviction, time elapsed since conviction, and any adverse consequences to individual if denied.
 - Motions must be filed after completion of any sentence or condition imposed by the conviction.
 - State's Attorneys and civil legal aid organizations (on behalf of clients) may file motions to vacate that includes more than one individual at a time.
- Exclusions: Violent Crimes
 - If the cannabis offense was connected to a violent crime it is ineligible for the automatic expungement processes, but the individual (or State's Attorney) can still file motion with the court to vacate conviction. This list of violent crimes comes from the Rights of Crime Victims and Witnesses Act.
 - any felony in which force or threat of force was used against the victim;
 - any offense involving sexual exploitation, sexual conduct, or sexual penetration;
 - crimes related to child pornography, posting of pornographic material of a person under 17 years of age or non-consensual dissemination of private sexual images;
 - domestic battery or stalking;
 - violation of an order of protection, a civil no contact order, or a stalking no contact order;
 - any misdemeanor which results in death or great bodily harm to the victim; or
 - involuntary manslaughter and reckless homicide.

Below is a table of the current law and the category of expungement that each falls under; please note that the possession amounts were different pre-2016.

Section 4 (Possession)			
Unlawful for any person knowingly to possess cannabis in the following amounts			
(a) <10g	Civil law violation	Fees; May be given probation and charges dismissed §10(a)	Governor's Clemency Authority/Automatic Law Enforcement Expungement
(b) 10-30g	Class B Misdemeanor	<6 months; May be given probation and charges dismissed §10(a)	Governor's Clemency Authority/Automatic Law Enforcement Expungement

(c) 30-100g	Class A Misdemeanor	<1 year; May be given probation and charges dismissed §10(a)	Individual/State's Attorney Motions to Vacate
(d) 100- 500g	Class 4 Felony	1-3 years	Individual/State's Attorney Motions to Vacate
Section 5 (Manufacture, deliver or intent to deliver) Unlawful for any person knowingly to manufacture, deliver, or possess with intent to deliver or manufacture cannabis in the following amounts			
(a) <2.5g	Class B Misdemeanor	<6 months; May be given probation and charges dismissed §10(a)	Governor's Clemency Authority/Automatic Law Enforcement Expungement
(b) 2.5-10g	Class A Misdemeanor	<1 year; May be given probation and charges dismissed §10(a)	Governor's Clemency Authority/Automatic Law Enforcement Expungement
(c) 10-30g	Class 4 Felony	1-3 years; May be given probation and charges dismissed §10(a)	Governor's Clemency Authority/Automatic Law Enforcement Expungement

EMPLOYMENT

- Nothing in the Act prohibits employers from adopting reasonable zero tolerance or drug free workplace policies, or employment policies concerning drug testing, smoking, consumption, storage, or use of cannabis in the workplace or while on call provided that the policy is applied in a nondiscriminatory manner.
- Nothing in the Act limits or prevents an employer from disciplining an employee or terminating employment of an employee for violating an employer's employment policies or workplace drug policy.

ILLINOIS COMMUNITY COLLEGE CANNABIS VOCATIONAL PILOT PROGRAM

- The Department of Agriculture, in coordination with the Illinois Community College Board, will oversee the program.
- Up to 8 community colleges will be awarded a program license by September 1, 2020.
- Community colleges awarded the program license may initiate programs starting in the 2021-2022 academic year.
- Students must be at least 18 years old to enroll in this course of study.
- Students who complete the coursework will receive a 'career in cannabis certificate.'

TAXATION

- All tax revenue is deposited in the new Cannabis Regulation Fund

- Cultivation privilege tax
 - 7% of the gross receipts from the sale of cannabis by a cultivator or a craft grower to a dispensing organization
- Cannabis purchaser excise tax:
 - 10% of the purchase price – Cannabis with a THC level at or below 35%
 - 20% of the purchase price – All cannabis infused products
 - 25% of the purchase price – Cannabis with a THC level above 35%
 - This tax is not imposed on cannabis that is subject to tax under the Compassionate Use of Medical Cannabis Pilot Program Act
 - This tax shall be in addition to all other occupation, privilege, or excise taxes imposed by the State of Illinois or by any municipal corporation or political subdivision thereof.
- Municipal Cannabis Retailers' Occupation Tax
 - On and after January 1, 2020, the corporate authorities of a municipality may, by ordinance, impose a tax on all persons engaged in the business of selling cannabis at retail locations in the municipality on the gross receipts from these sales.
 - If imposed, the tax shall be imposed in 0.25% increments
 - The tax may not exceed 3% of the gross receipts from these sales
- Cannabis County Retailers' Occupation Tax
 - On and after January 1, 2020, the corporate authorities of a county may, by ordinance, impose a tax on all persons engaged in the business of selling cannabis at retail locations in the county on the gross receipts from these sales.
 - If imposed, the tax shall be imposed in 0.25% increments
 - The tax rate may not exceed:
 - 3.75% of the gross receipts of sales made in unincorporated areas of the county
 - 0.75% of the gross receipts of sales made in a municipality located in a non-home rule county
 - 3% of the gross sales receipts made in a municipality located in a home rule county.

ALLOCATION OF STATE REVENUE

- Tax revenue will be deposited in the new Cannabis Regulation Fund
- State agencies responsible for administering the adult use cannabis program will receive resources to cover administrative costs from the taxes collected by the program.
- All remaining revenue will be allocated as follows:
 - 35% will be transferred to the General Revenue Fund,
 - 25% will be transferred to the Criminal Justice Information Projects Fund to support the R3 program,
 - 20% will be transferred to the Department of Human Services Community Services Fund to address substance abuse and prevention and mental health concerns,

- 10% will be transferred to the Budget Stabilization Fund to pay the backlog of unpaid bills,
- 8% will be transferred to the Local Government Distributive Fund to support crime prevention programs, training, and interdiction efforts, including detection, enforcement, and prevention efforts, relating to the illegal cannabis market and driving under the influence of cannabis, and
- 2% will be transferred to the Drug Treatment Fund to fund public education campaign and to support data collection and analysis of the public health impacts of legalizing the recreational use of cannabis.

GOVERNANCE

- Governor's Office
 - The Governor will appoint a Cannabis Regulation Oversight Officer who will be stationed in IDFPR. This person, and his or her team, will have the authority to make statutory and regulatory recommendations concerning the adult use program. This person will also coordinate efforts between state agencies involved in regulating and taxing the sale of cannabis in Illinois.
- Department of Revenue
 - Responsible for enforcing and collecting taxes associated with the sale of cannabis.
- Department of Agriculture
 - Responsible for licensure and oversight of cultivation centers, craft growers, infusers, and transporting organizations.
 - Responsible for authorizing laboratories that test cannabis
 - Responsible for establishing, in coordination with the Illinois Community College Board, the Community College Cannabis Vocational Training Pilot Program
- Department of Financial and Professional Regulation
 - Responsible for licensure and oversight of dispensing organizations.
- Illinois State Police
 - Responsible for conducting background checks on everyone involved in the licensed cannabis sector.
 - Responsible for reviewing security plans for all licensed entities.
 - Responsible for reviewing all criminal history record information and identifying all individuals with minor violations of the Cannabis Control Act that are eligible for expungement.
- Department of Public Health
 - Responsible for developing recommendations surrounding health warnings and facilitating the Adult Use Cannabis Public Health Advisory Committee.
- Department of Commerce and Economic Opportunity
 - Responsible for administering a low-interest loan program, a grant program, and technical assistance for social equity applicants.
 - Responsible for identifying 'disproportionately impacted areas'
- Department of Human Services

- Responsible for administering programs that address substance abuse and prevention and mental health
- Responsible for making recommendations to the Adult Use Cannabis Public Health Advisory Committee regarding drug treatment and prevention.
- Responsible administering a public education campaign and collecting data and conducting analysis of the public health impacts of legalizing the recreational use of cannabis.
- Illinois Criminal Justice Information Authority
 - Responsible for designating R3 areas across the state that may apply for funding from the R3 Program Board for community reinvestment.
- Illinois Community College Board
 - Responsible for establishing, in coordination with the Department of Agriculture, the Community College Cannabis Vocational Training Pilot Program

PUBLIC HEALTH AND SAFETY

- Twenty percent of the revenue generated by the sale of adult use cannabis will support efforts to address substance abuse and prevention and mental health.
- DUI Cannabis Task Force
 - The Task Force will be chaired by the director of the State Police, or his or her designee.
 - The Task Force will examine best practices in the area of driving under the influence of cannabis enforcement, including examining emerging technology in roadside testing.
 - The Task Force will present its report and recommendations on improvements to enforcement of driving under the influence of cannabis to the Governor and the General Assembly by July 1, 2020.
- Advertising
 - No cannabis business establishment nor any other person or entity shall engage in advertising that contains any statement or illustration that:
 - Is false or misleading;
 - Promotes overconsumption or cannabis or cannabis products;
 - Depicts the actual consumption of cannabis or cannabis products;
 - Depicts a person under 21 years of age consuming cannabis;
 - Makes any health, medicinal, or therapeutic claims about cannabis or cannabis products;
 - Includes the image of a cannabis leaf or bud; or
 - Includes any image designed or likely to appeal to minors, including cartoons, toys, animals, or children, or any other likeness to images, characters, or phrases that is designed in any manner to be appealing to or encourage consumption of persons under 21 years of age.

- No cannabis business establishment nor any other person or entity shall place or maintain, or cause to be placed or maintained, an advertisement of cannabis or a cannabis infused product in any form through any medium:
 - Within 1,000 feet of the perimeter of a school grounds, a playground, a recreation center or facility, a child care center, a public park or public library, or a game arcade to which admission is not restricted to persons 21 years of age or older;
 - On or in a public transit vehicle or public transit shelter;
 - On or in a publicly owned or public operated property; or
 - That contains information that:
 - Is false or misleading;
 - Promotes excessive consumption;
 - Depicts a person under 21 years of age consuming cannabis;
 - Includes the image of a cannabis leaf; or
 - Includes any image designed or likely to appeal to minors, including cartoons, toys, animals, or children, or any other likeness to images, characters, or phrases that are popularly used to advertise to children, or any imitation of candy packaging or labeling, or that promotes the consumption of cannabis.
 - These restrictions do not apply to an educational message
 - No cannabis business establishment nor any other person or entity may encourage the sale of cannabis or cannabis products by giving away cannabis or cannabis products, by conducting games or competitions related to the consumption of cannabis or cannabis products, or by providing promotional materials or activities of a manner or type that would be appealing to children.
- Packaging requirements
 - The following warnings shall apply to all cannabis products: “This product contains cannabis and is intended for use by adults 21 and over. Its use can impair cognition and may be habit forming. This product should not be used by pregnant or breastfeeding women. It is unlawful to sell or provide this item to any individual, and it may not be transported outside the state of Illinois. It is illegal to operate a motor vehicle while under the influence of cannabis. Possession or use of this product may carry significant legal penalties in some jurisdictions and under federal law.”
 - All harvested cannabis intended for distribution to a cannabis enterprise must be packaged in a sealed, labeled container.
 - Packaging of any product containing cannabis shall be child-resistant and light-resistant consistent with current standards, including the Consumer Product Safety Commission standards referenced by the Poison Prevention Act.

- The label of each cannabis product shall contain, among other things, a “use by” date on the label, the quantity of cannabis contained in the product, and a content list.
- All cannabis products must contain warning statements established for consumers, of a size to be legible and readily visible to a consumer inspecting a package, which may not be covered or obscured in any way.
- Packaging must not contain information that:
 - Is false or misleading;
 - Promotes excessive consumption;
 - Depicts a person under 21 years of age consuming cannabis;
 - Includes the image of a cannabis leaf;
 - Includes any image designed or likely to appeal to minors, including cartoons, toys, animals, or children, or any other likeness to images, characters, or phrases that are popularly used to advertise to children, or any packaging or labeling that bears resemblance to any product available for consumption as a commercially available candy, or that promotes consumption of cannabis;
 - Contains any seal, flag, crest, coat of arms, or other insignia likely to mislead the consumer to believe that the product has been endorsed, made or used by the State of Illinois.

LOCAL ORDINANCES

- A unit of government, including a home rule unit or any non-home rule county within the unincorporated territory of the county, may enact ordinances to prohibit or significantly limit a cannabis business establishment's location.
- Voters in any precinct within a municipality that has a population greater than 500,000 residents may petition their alderman seeking an ordinance to establish the precinct as a ‘restricted cannabis zone.’ The ordinance may prohibit home cultivation, cannabis business establishments, or both.
- Municipalities may enact reasonable zoning restrictions pertaining to licensed cultivation centers, craft growers, processing organizations, and dispensaries.
- A unit of local government, including a home rule unit, or any non-home rule county the unincorporated territory of the county may regulate the on-premises consumption of cannabis at or in a cannabis business establishment within its jurisdiction in a manner consistent with this Act. A cannabis business establishment or other entity authorized or permitted by a unit of local government to allow on-site consumption shall not be deemed a public place within the meaning of the Smoke Free Illinois Act.

HOME GROW

- Illinois residents who are 21 years or older and registered participants in the Compassionate Use of Medical Cannabis Pilot Program may cultivate cannabis plants.
 - The grower must live in a household that owns the residence or has permission from the owner.

- The grower is limited to growing no more than 5 plants that are five inches or taller.
- The grower shall take reasonable precautions to ensure that plants are secure from unauthorized access.
- If the grower violates the terms of the Act, that person is liable for penalties as provided by law as well as the loss of home cultivation privileges as established by rule.

PROJECTED REVENUE

- The Department of Revenue projects that this industry will generate over \$57 million in tax revenue and licensing fees in FY20.
 - This figure represents the combined revenue projections that Governor's Office received from the Department of Revenue concerning the taxation of cannabis as well as the application and licensing fees estimated by the Department of Agriculture and the Department of Financial and Professional Regulation.
 - Breakdown
 - DOR tax revenue: \$34 million (midpoint of the range projected by DOR: 10-58 million)
 - DOA estimate: \$12.7 million
 - IDFPR estimate: \$10.78 million
- The Department of Revenue estimates that the state will generate \$140.5 million in tax revenue in FY21.
 - This excludes agencies' application and licensing fees as the program continues to expand.
- The Department of Revenue projects significant revenue growth as the cannabis market matures in Illinois. The state could generate \$253.5 million in FY22, \$323.5 million in FY23, and \$375.5 million in FY24.